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ABSTRACT

This booklet, one of a series intended to apply economic principles to major social and political issues of the day, starts from the premise that Marxism is a threat to our way of life and offers a critique of fundamental components of the social movement Marx created. The first of six subsections focuses on sources of influence on Karl Marx (including early French socialists, German classical philosophers, and British classical economic theorists) and presents a general overview of Marx's politics, philosophy, and economics. The following three sections present Marx's economic interpretation of history, his views on social systems and change, and his analysis of the rise and fall of capitalism. The two final sections provide critical comments on the development of Marxism in the United States, and point to the need for Marx's influence in the world to be both understood and defused. (LH)

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Introduction

The so-called liberation movements in Central and South America are led by Marxists. A number of leaders in Africa and Asia are Marxists. All East European countries have Marxist governments. Socialist parties in Western Europe have a strong Marxist bias. The so-called new left in the United States is pro-Marxist. In short, Marxism is a powerful social movement today. It is also a major threat to our way of life. For that reason, high school and college students, business and civic leaders, as well as the general public should have some understanding of Karl Marx and his teachings.

It is easier to say let's learn about Marx than it is to actually do it. Marx was an immensely productive scholar. His writings encompassed the fields of philosophy, history, politics and economics. The sheer volume of Marx's intellectual output provides a fertile ground for various interpretations of his writings. It would take a semester to study Marxism in depth.

The purpose of this essay is to provide a short, understandable and reasonably accurate review of Marx's teaching. The term "reasonably accurate" is used to alert the reader to the fact that whenever we try to present the work of a productive scholar like Marx in one easy lesson, we are bound to leave some things out and to oversimplify others. Once we understand some possible shortcomings of this essay, let us address such questions as: "What was Marx all about? What did he tell us? Why does he have such a wide following around the world?" Finally, this essay is not a critique of Marx. It is an attempt to describe, in one lesson, fundamental components of the social movement Marx created.

Sources of Influence on Karl Marx

Marx's politics were influenced by the early French socialists. The French socialists (e.g. Saint-Simon, 1760-1825; Fourier, 1772-1837) were a product of the social forces that led to the French Revolution. French socialists criticized capitalism for long working hours, child labor, the low standard of living of the working people, unequal distribution of income and lots of other social problems. In short, French socialists believed that capitalism is not a just system. The right of ownership, they said, was the root of all social problems in capitalism. Private property, they said, was plunder. True harmony and justice could be brought about only by its abolition.

Marx agreed with French socialists that capitalism is not a just system. He also agreed with them that the right of ownership is the most important cause of social problems in capitalism. But Marx said they were naive and wrong to think that socialism, once discovered by reason, could conquer the world by virtue of its own power. Marx drew a line between the preference for socialism and the scientific analysis of its role in human history.

By explaining the role of capitalism and its inevitableness during a particular historical period, and by stressing its exploitative character, Marx believed his analysis of socialism became a science. We shall discuss both "discoveries" of Marx in this essay. The French socialists, on the other hand, scarcely thought in terms of social evolution. They paid no attention to social forces at work in industrial societies. Marx called them "the utopian socialists."

Marx's philosophy was influenced by German classical philosophers, particularly Hegel (1770-1831). Hegel believed that ideas run the world. At any time in human history, Hegel said, there exists a set of ideas that dominate man's thinking about the world in which he lives. Those ideas determine the way people interact with each other, the way they perceive the environment, the way they organize in communities, and the way in which they carry out economic activities. That is, all aspects of human life are shaped by a set of ideas which prevail at a given period of time.

How do we explain social changes? According to Hegel, social changes are a consequence of changes in the prevailing ideas about the world in which we live. If a change from one set of ideas to another results in social, economic and political changes, an important question is: How do ideas change? According to Hegel, new ideas do not invade the world of the old ones. They are both from *within* the prevailing ideas. How? Each idea has a problem of its own. It has its own, to use Hegelian terms, inner contradiction. Thus, there is a conflict within each idea between its positive elements and those negative elements that subvert the prevailing ideas from within. From this struggle a new set of

ideas emerges. A new set of ideas reshapes the way we think, the way we produce goods and services, the way we relate to each other and the way we run our communities. This process of social change that emerges from an internal struggle between positive and negative elements in the prevailing set of ideas Hegel called *dialectics*.

Marx accepted Hegel's method of looking at human history and social processes. In other words, he accepted the notion that human history consists of continuous social changes that are generated from within the system. However, Marx disagreed with Hegel as to the relationship between economic conditions of life and ideas. Marx believed that economic conditions of life *determine* our politics, our social relationships, and most importantly, the way we think and philosophize about life. While Hegel thought that ideas are superior to matter, Karl Marx said matter is superior to ideas. According to him, ideas, philosophy and religion all are shaped by the prevailing economic conditions of life. As our economic conditions of life change, so do other aspects of our lives, including the way we think about the world in which we live. To understand social change, it is necessary to understand economic changes, Marx said. That is why Marx's way of looking at the world and its history is called *dialectical materialism*. The materialistic conception of dialectics is that economics is the fundamental cause of social change.

Once he decided that economics plays a vital role in human history, Marx turned his attention there. His *economics* was influenced by British classical economic theory, particularly by David Ricardo. He took from them the so-called labor theory of value. The labor theory of value is very difficult to explain and would take us too far away from the subject of this essay. Let's simply say this: According to the theory, the value of any good is determined by the average number of labor hours needed for its production. If beer needs twice as much time to produce as Coke, the beer will be twice as valuable as Coke. It also meant that capital, land and all other resources make no contribution to the value of goods and services. Only labor does. It is not surprising that Marx accepted the labor theory of value because it was the only economic theory available in his day. It is much more surprising that Marxists today are still clinging to it. Why? First, there are other theories that have proved more efficient in explaining economic and social processes. Second, the labor theory of value is simply unsound.

Marx accepted the labor theory of value from Ricardo, but modified it to suit his own purposes. He said human labor is also a product that is bought and sold in the marketplace. If the value of Dr Pepper is determined by the average number of labor hours needed for its production, the value of human labor must also be determined by the average number of hours needed for its production. What Marx meant was this: During each day man uses up his energies. To be able to report to work he has to eat, he has to sleep, he has to keep warm. He has to replenish

his labor power. He also has to bring up his family so that when he leaves the labor force he is replaced by someone else. So, each day the laborer must receive from his employer enough money to buy the *minimum* amount of goods needed for his maintenance. That minimum amount of physical goods he must have every day has its own value, which is the average number of labor hours needed to produce it.

Suppose it takes five hours of working time to produce the minimum amount of goods that a man and his family must have per day in order to maintain themselves. When a man applies for a job, the employer will ask him to work more than five hours. He will ask him to work, say, 10 hours. In 10 hours the worker will create something that's worth 10 hours. The employer gives him back the amount that is equal to five hours. So, the employer, in effect, appropriates the amount of money that is worth five hours of the worker's time. The difference between the number of hours worked for the employer and the number of hours needed to produce the minimum amount of goods the worker needs Marx called the *surplus value*. The surplus value is appropriated by the owner of the firm. The system then is based on exploitation of labor by property owners. And the source of that exploitation is the right of ownership.

Economic Interpretation of History

Now that we understand Marx's politics, philosophy and economics, let us turn to the issue that is central to all his writings: *What human history is all about*. Marx viewed the entire history of mankind as being purposeful, predetermined and explicable in terms of economics. His major objective was to discover "scientific laws" that control historical events.

To Marx, the history of mankind was a continuous struggle of man versus nature. In a primitive society, man was totally dependent on nature for his bare subsistence. The entire human life in a primitive society was geared toward the search for subsistence. Nature was man's master. Given his survival instincts, man sought to produce subsistence more efficiently. As he learned to use primitive tools to increase the supply of subsistence by his own activity, man's dependence on nature for food, shelter and clothing was reduced. Each time a new tool is developed, be it the arrow or modern computers, man takes a step in freeing himself from the dependence on nature, and in turn learns how to use nature to promote his own well-being. To Marx, an improvement in the process of production of material goods meant a step toward the subordination of nature to man. The history of mankind should then be regarded as a long journey from man's complete subordination to nature to his mastery over nature. This journey is triggered by man's survival

instincts. The vehicle that reverses the original relationship between man and nature is economic development.

As man learned to apply human work to the production and use of tools, it became essential to specify the relations among men with respect to the right to use those intermediate goods (resources). That meant the development and specification of *property rights* in resources. Marx then deduced the creation of property rights from the initial subordination of man to nature and his survival instincts. Engels explained the development of property rights in human beings as follows:

> **"To the barbarian of the lower state . . . human labor-power still does not produce any considerable surplus over its maintenance costs . . . The [captives of war] were killed or adopted into the tribe . . . That was no longer the case after the introduction of cattle-breeding, metal working, weaving and lastly agriculture . . . prisoners of war were turned into slaves . . . and the first great division of labor arose."**[1]

Economic development then reduces man's alienation from nature, but in turn, *via* creation of property rights, it creates a new type of alienation, that of man from man.

Marx's analysis of the concept of alienated labor in capitalism consists of successive steps: Because it does not belong to him, the product of his labor appears to the worker as an alien object. Consequently, the worker considers his work as imposed, forced labor. It is not the satisfaction of a need, but a means of satisfying other needs. A direct consequence of the alienation of man from the product of his labor and from his work activity is that man is alienated from other men. Those men belong to identifiable social classes. The right of ownership then leads to a class struggle.

In *Holy Family*, published in 1844, Marx used the method of dialectics to describe the class struggle. The positive element in the economic system is private property rights. The negative element is the working class (the proletariat). As a result of the class struggle between the proletariat and the owners of property, a new social system eventually emerges: *socialism*. In this alienated environment, the state emerges as a means of preserving the existing property relations and protecting the possessing class against the non-possessing class. In Marx's scheme of things, the state has only one function: to protect the ruling class and its privileges. In capitalism, the purpose of the state is to protect private property rights, he said. Post-war behavior of the U.S. certainly does not bear Marx's predictions out. Our government has tried its best to weaken private property rights.

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[1]Engels, F.: *The Origin of the Family, Private Property and the State*, New York: International Publishers, 1942, pp. 58 and 65.

Social Systems and Social Change

Marx's main objective was to discover and explain the historical necessity of social change; that is, to discover the laws of history.

In its long journey from complete dependence on nature to mastery over nature, each society must pass through some definite types of property relations. Marx used the terms "prevailing property rights" or "the relations of production" (he used those two terms interchangeably) to define what we would call today a social system.

According to Marx, there are five social systems the human race has to live through before it reaches complete mastery over nature: primitive society, slavery, feudalism, capitalism and socialism. Economic interpretation of history means that the stage of economic development shapes other aspects of social life. The hand mill created feudalism while the steam mill created capitalism.

Marx called the final stage *communism*. It is the end result of man's struggle to subordinate nature to himself. To Marx, this stage means the elimination of scarcity, a society without classes and without government, and one in which the income distribution formula is from each according to his abilities, to each according to his needs. Marx was then faced with explaining how and why property rights (i.e. social systems) change.

The factor that brings about changes in property rights is the relationship between man and nature in the production of the necessities of life, which Marx called the productive forces. Today, we would call it state of the art (technology). In the concept of production forces he included technology, stock of capital, education, working habits—everything that has to do with production of goods and services.

Given the prevailing social system, the productive forces develop. Each time a new development in the productive forces occurs, man becomes a little less dependent on nature, and nature, in turn, becomes a little more subordinated to man. However, at some point the existing social system becomes fetter to further economic development. Then—and only then—the old social structure breaks down. A new social system emerges that is conducive to further development of productive forces. The cycle repeats itself until the final state of affluence is reached. Thus, man pursues his objective of achieving a complete mastery over nature through historically pre-determined changes in the content of property rights, which actually are determined by changes in technology and the quantity and quality of resources. A most significant statement by Marx reads as follows:

> **"At a certain stage of their development, the material forces of production in society come into conflict with the existing relations of production, or, what is but a legal expression for the same thing, with the property relations within which they had been at work before. From forms**

of development of the forces of production these relations turn into their fetters. Then comes the period of social revolution. With the change of the economic foundation, the entire immense superstructure is more or less rapidly transformed."[2]

To reach the final stage of complete mastery over nature (communism) mankind must pass through definite types of private property systems, each of them an inevitable and unavoidable feature of the economic history of mankind. Marx repeatedly said no social system can be born before the old one has performed its historical function and no system can disappear before its historically pre-determined time comes.

Marx never failed to recognize the historical necessity of capitalism as well as its achievements. In *The Communist Manifesto* he wrote:

"The bourgeoisie . . . has been the first to show what man's activity can bring about. It has accomplished wonders for surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals. . . . The bourgeoisie . . . draws all nations . . . into civilization. . . . It has created enourmous cities. . . . The bourgeousie during its rule of a scarce one hundred years, has created more massive and more colossal productive forces than have all the preceding generations together."[3]

The quote gives more credit to the capitalist society than many non-Marxist economists would claim.

If capitalism is an inevitable system with a historial function to perform, how do we explain Lenin, Castro and Mao? The fact that they succeeded in imposing socialism in Russia, Cuba and China long before capitalism was even born in those countries is the best evidence that Marx's concept of social change and his ideas about the laws of history have failed the test of time.

The Rise and Fall of Capitalism

According to Marx, capitalism has a well-defined historical role to perform before it leaves the scene. The role of capitalism is to develop high technology, to use today's jargon. Marx called it a high degree of automation of industry. How and why is capitalism to perform this role?

Property relations in capitalism make profit a powerful motivating force. Property owners continuously look for ways to earn more money. This drive for monetary gains on the part of property owners results in

[2]K. Marx, "A Contribution to the Critique of Political Economy," in *Marx-Engels, Basic Writings*, (L Feuer, ed.). Garden City, New York: Doubleday, 1959, p. 103.

[3]Marx and Engels, *The Communist Manifesto* (Chicago: Regnery, 1954), pp. 10-22.

economic development. Why? A property owner has strong incentives to increase productivity in his shop. Higher productivity means that he will get more output from his workers. And when this extra output is sold the owner will end up with more money. Higher productivity, according to Marx, comes primarily from the development of new machines. New machines and better production methods mean fewer workers are needed. What does it mean? Today, we would say better machines free some workers to produce things we could not afford to produce before. To Marx, with his hang-up on the labor theory of value, substitution of capital for labor told the following: A capitalist in search of more profit substitutes machines for labor, profiting more than his competitors.

But in doing so he performs two historical functions. First, he contributes to economic development. Second, he contributes to the end of capitalism. How? Other capitalists will not stand still and watch him make profits. They will want a piece of cake, too. So they will invest in better machines. However, as we have explained, their profit is extracted from their workers. As the number of workers fall relative to the amount of capital used by firms, the surplus value (which comes from labor only) will shrink relative to the total cost of production. The average rate of profit will decline. A decline in the average rate of profit will bring about an increase in the percentage of the labor force out of work. In their frantic search to recapture profits, capitalists will continue to improve technology of production and further depress the average rate of profit. And unemployment will continue to grow. In the process, the industry gets fully automated, the labor force shrinks, and the rate of profit approaches zero. (If you can tell why, you have understood Marx. If not, write back to the author) The capitalist machine will then come to a halt. The impoverished workers (the proletariat) will rise, overthrow capitalism, and a new system, socialism, will move in.

Marxism in the USA

The development of Marxism in the United States has taken two different forms. The so-called New Left, spearheaded by radical economists, uses Marxism as a philosophical springboard to justify its condemnation of the "corporate" America. Some prominent American economists, including Paul Samuelson, a Nobel Prize winner in economics, also have shown some interest in Marx's writings.

The radicals' revival of Marxism is at variance with Marx's own thought. Marx never failed to recognize the historical necessity of capitalism and its achievements. But American radicals do not want to wait for the economic decline of capitalism. They want to do away with it here and now. While Marx believed that he discovered the logic of the dialectic process of history, arguments advanced by the radical writers are emotional in tone and poor in logic.

Socialism was never an obsession with Marx. The radicals are

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obsessed with socialism. The concept of morality has no place in Marxist theory. Marxism is distinguished from other socialist movements by its rejection of any reference or appeal to moral principles. The New Left in the United States condemns "corporate" capitalism for its lack of morality.[4]

Marx saw the proletariat as the revolutionary force (as Hegelian inner-contradiction of capitalism) that eventually will bring the capitalist structure down. He considered the Communist Party as its most progressive vanguard. The New Left sees the intellectual class rather than the labor movement as the most potent force in contemporary capitalism and looks upon itself as its vanguard. To Marx, the proletariat was the industrial labor force. To American radicals, the proletariat is minorities, peaceniks and the colored races of Asia and Africa. A radical writer wrote:

> **. . . I would argue that . . . only an expansion of the degree of democratic and participatory control that individuals have over their lives is compatible with full personal development, rewarding social activity, the elimination of class, racial, and sexual antagonisms, and material equality. The contribution of political democracy to this end is vitiated by the totalitarian organization of production. Only democracy and participation in production—i.e., the replacement of the capitalist class by the working class . . . as the architects of production, and the accountability of managers and technicians to the will of workers—is compatible with equality and full individual development.**[5]

In another direction, Paul Samuelson and some other promiment American economists[6] have tried to make an objective assessment of Marx's contribution to economics. First, they attempted to translate his economics into a more familiar language of modern economic theory. Then they assessed his contributions to our understanding of economic processes. These works show that the labor theory of value does not hold promise of explaining economic life. They also show that either the

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[4]See R. C. Edwards, M. Reich and T. B. Weisskopf, *The Capitalist System: A Radical Analysis of American Society* (Englewood Cliffs, N.J.: Prentice Hall, 1982); and T. Parsons, "Commentary on Herbert Gintis, A Radical Analysis of Welfare Economics and Individual Development," *Quarterly Journal of Economics*, 89, May 1975, pp. 280-290.

[5]H. Gintis, "Welfare Economics and Individual Development: A Reply to Talcott Parsons," *Quarterly Journal of Economics*, 89, May 1975, pp. 301-2.

[6]See P. Samuelson, "The Economics of Marx: An Ecumenical Reply," *Journal of Economic Literature*, 10, March 1972, pp. 51-7; *Ibid.*, "Marxian Economics as Economics," *American Economic Review*, 57, May 1967, pp. 616-23; *Ibid.*, "Understanding of the Marxian Notion of Exploitation," *Journal of Economic Literature*, 9, June 1971, pp. 399-431; M. Bronfenbrenner, "Samuelson, Marx and Their Latest Critics," *Journal of Economic Literature*, 11, March 1973, pp. 58-63; W. Baumol, "The Transformation of Values: What Marx Really Meant," *Journal of Economic Literature*, 12, March 1974, pp. 51-61.

rate of profit or the real wage must rise over time. Thus, an objective assessment of Marx throws out at least one of Marx's principles: the falling rate of profit and increasing misery of the working class. Samuelson ended by saying that Marx's economics are overrated.

Marxism and Its Influence Today

Marxism today commands enormous influence all over the world. I conjecture that two factors explain its widespread appeal: its promise of economic abundance and its religious underpinnings. As man achieves mastery over nature, economic scarcity, income inequality, alienation of man from man and class struggle will end. A sort of paradise will be recreated. Marxism then is more than an ideology. Marxism is a religion. It is also a secular religion because it promises salvation in this time and space. I think the appeal of Marxism comes from its religious content, the system of ends, the implicit promise of salvation in this time and space (i.e. this side of the grave), and absolute standards by which to judge historical events, human actions and social institutions.

Proponents of Marxism are high priests who do not seek the truth; they know it. They ignore empirical evidence. They are indifferent to rational discourse. The Marxist considers human history to be subject to definite and preordained laws. He knows those laws. Thus, non-Marxists are not only wrong but they are in sin. Marxists meet criticism with abuse, and controversy with intolerance.

What can be done about the spread of Marxism? It is dangerous to laugh it off. Marxism is a potent force. To reject Marxism because it does not meet the standard of scholarship that we are used to will not curtail its world-wide influence. People are drawn to Marxism because of its religious content rather than its scholarship.

I believe that the most promising way of defusing Marx's influence in the world is by depriving his teaching of its religious content. A way to do that is to carefully examine Marx's assumptions, the logic of his arguments and the relationship between his predictions and the facts of history.

If we could show that the whole idea of communism—that is of the paradise on earth—is nothing but a pious wish that is not borne out by either logic or empirical facts, we would deprive Marxism of its major appeal.

The bottom line is Marxism is historically wrong. Its arguments are poor in logic and emotional in tone. Yet Marx must not be ignored. Marxism must be understood if we are to save ourselves from being enslaved by it.

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Biography of the Author

Dr. Steve Pejovich is a professor of economics and director of the Center for Free Enterprise at Texas A&M University. He also is an adjunct scholar at The Heritage Foundation.

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